

77 00780

OFFICIAL STATEMENT

Walnut Valley Water District

Los Angeles County, California

Improvement District No. 3 1976 Water Bonds

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

NOV - 3 1976

UNIVERSITY OF CALIFORNIA

Pub. 10115 Walnut LA 60
Local 47-1111 44

Investments Pub
60000



\$6,500,000

(General Obligations)





pub. utility water
pub. utility co.
investments pub. sec.





WALNUT VALLEY WATER DISTRICT

Los Angeles County, California

BOARD OF DIRECTORS

Jerry W. Streater, *President*

J. P. Bourdet, *Vice President*

John E. Fisher, *Vice President*

Harry N. Johnson, *Assistant Treasurer*

John Repar

Edmund M. Biederman, *General Manager,
Secretary-Treasurer*

SPECIAL SERVICES

General Counsel

Harold E. Landis, Higgs, Fletcher & Mack
San Diego

Special Utility Accountant

Gerald W. Peasley Accountancy Corporation
Seal Beach

District Auditors

Kearney, Ballman & Gregory,
Certified Public Accountants,
Pomona

Bond Counsel

Rutan & Tucker
Santa Ana

Financing Consultants

Hornblower & Weeks-Hemphill, Noyes Incorporated
San Francisco

Paying Agents

United California Bank
Los Angeles

The Northern Trust Company
Chicago, Illinois

Manufacturers Hanover Trust Company
New York, New York

THE DATE OF THIS OFFICIAL STATEMENT IS
OCTOBER 21, 1976

WALNUT VALLEY WATER DISTRICT

October 21, 1976

TO WHOM IT MAY CONCERN

The purpose of this bond prospectus is to furnish information regarding \$6,500,000 par value 1976 Water Bonds (general obligations) for Improvement District No. 3 of the Walnut Valley Water District.

This prospectus was prepared by Hornblower & Weeks-Hemphill, Noyes Incorporated as Financing Consultants to and under the direction of the district. The information herein has been reviewed by appropriate officials of the district as to accuracy and completeness (see item 2 under "Closing Papers" on Page 3 of this prospectus) and the district has adopted this prospectus as its Official Statement in connection with the Bonds herein being offered pursuant to Resolution No. 10-76-173, dated October 21, 1976.

All of the following summaries of the Resolution of Issuance and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the district for further information in connection therewith. This Official Statement does not constitute a contract with purchasers of bonds. Any statements herein involving matters of opinion or estimates, whether or not so designated, are to be construed as provisional rather than factual.

Jerry W. Streater

President, Board of Directors

CONTENTS

	Page
Introduction	1
The Bonds	2
Authority for Issuance	2
Description of the Bonds	2
Redemption Provisions	2
Registration	2
Tax Exempt Status	2
Legal Opinion	3
Security	3
Bond Reserve Fund	3
Closing Papers	3
Districts Securities Division Certification	3
Maximum Bond Service	4
Water System Acquisition and Operation	5
Background of the Acquisition	5
Environmental Impact Assessment	6
Improvement District No. 3 Water Rates	6
Projected Water Revenues and Expenses	8
Improvement District No. 3 Assessed Valuation and Tax Rate	8
District Organization, Facilities and Financial Data	11
Organization and Operation	11
Employee Relations and Benefits	11
The Present District System	11
Integration of the Systems	12
Source of Supply	12
District Debt	13
Debt Statement	14
Tax Rates, Levies, and Delinquencies	15
General Fund Revenue and Expenses	17
Assets and Liabilities	17
Improvement District No. 3 and Vicinity	21
Population and Characteristics	21
Employment and Economic Development	22
Los Angeles County Master Plan Litigation	24
Educational Facilities	24
Recreational Facilities	24
Transportation	24
Public Services	24
TABLES	
Table 1. Essential Facts	1
Table 2. Maximum Possible Bond Service	4
Table 3. Estimated Project Costs and Bond Issue Requirement	6
Table 4. Number of Services and Water Consumption	7
Table 5. Schedule of ID No. 3 Water Rates	7
Table 6. Diamond Bar Water Company Revenues and Expenses, 1973-1976	8
Table 7. Pro Forma 1977 Revenues and Expenses	9
Table 8. Debt Statement	14
Table 9. Water District Assessed Valuation	15
Table 10. Tax Rates, Levies and Delinquencies	15
Table 11. 1976/77 Representative Tax Rates	15
Table 12. General Fund Revenues and Expenses	16
Table 13. Net Income Before Fund Balance Transfers and Debt Principal Payments	17
Table 14. Assets and Liabilities	18
Table 15. Population History and Trends	21
Table 16. Major Employers	22

INTRODUCTION

The \$6,500,000 principal amount of general obligation bonds to be issued by the Walnut Valley Water District, Improvement District No. 3, are being sold to finance the acquisition and improvement of the Diamond Bar Water System, a private system currently owned and operated by the Diamond Bar Water Company. The company is a wholly owned subsidiary of the Transamerica Development Company (Tadco).

Improvement District No. 3 was formed in December, 1975 to facilitate the financing for the acquisition. The boundaries of ID No. 3 are coterminus with the 8,000-acre service area of the Diamond Bar Water System. Diamond Bar is located nearly equidistant from the City of Los Angeles, approximately 30 miles to the west, and the Cities of Riverside and San Bernardino to the east, and falls entirely within Los Angeles County.

More than 78% of the voting residents within ID No. 3 approved the sale of the general obligation bonds at a special election held June 8, 1976. The \$6,500,000 bond issue was based on a purchase price of \$4,600,000 for the water system that was derived following extensive negotiations. The remaining bond proceeds will be used to improve the existing system, to provide a bond reserve, and to meet legal and attendant financing fees. The bonds are secured by revenues to be collected from taxes levied on the assessed valuation of land within ID No. 3. The 1976/77 assessed valuation of \$21,011,340 will produce a \$410,708 levy based on a tax rate of \$1.9547. The first debt service payment, estimated at \$610,000 will be met from a combination of tax revenues and net operating revenues of the water system. The bonds will be approximately 40% self-supporting.

Improvement District No. 3, with a current population of approximately 20,000, is primarily residential in character and has had the majority of

its development within the last fifteen years. The current number of households is expected to nearly treble to 16,000 as existing sites are occupied. Population characteristics, according to the 1970 census, include a median annual family income of \$14,700 and a median age of 28.6 years. The area is receiving a proportionately high share of the county's growth, as recorded by population history and trends for ID No. 3 and vicinity.

Continued growth and economic development of ID No. 3 is linked closely with employment opportunities available in adjacent centers. Principal sources of employment include the industrially developed sections of Industry, Pomona, Brea, and Anaheim/Fullerton. The Transamerica Development Company estimates that more than 1.7 million job opportunities are within 30 minutes' drive for local residents. Commuting is facilitated by the Orange and Pomona Freeways that border the western side of the Improvement District. Other transportation modes include bus service from the Los Angeles Rapid Transit District, rail service from the Southern Pacific and Union Pacific Railroads, and airlines serving nearby Ontario Airport.

TABLE 1
SUMMARY OF ESSENTIAL FACTS

The Bonds	
Principal amount	\$6,500,000
Maturities	1977-2001
Denominations	\$5,000
Average life	16.69 years
Bond years	108,500
Maturities callable 1987 or after	1988-2001
Maximum coupon rate	8%
Maximum coupon spread	2%
Maximum (legal) annual debt service	\$616,000
Bond reserve fund	\$300,000
Financial and Economic Data	
1976/77 ID No. 3 land only assessed valuation	\$21,011,340
1976/77 ID No. 3 total assessed valuation	\$56,494,475
ID No. 3 tax rate per \$100 (for bond service)	\$1.9547
Ratio net direct debt to total assessed valuation	6.90%
Ratio net direct and overlapping debt to total assessed valuation	15.76%
Per capita total assessed valuation	\$2,825
ID No. 3 estimated 1976 population	20,000
ID No. 3 1970 median family income	\$14,500
May, 1976 area unemployment rate	8.7%

THE BONDS

Authority for Issuance

The \$6,500,000 principal amount of Walnut Valley Water District, Improvement District No. 3, 1976 Water Bonds are general obligation bonds issued pursuant to the provisions of Resolutions 8-76-156 and 9-76-167, of the Walnut Valley Water District, adopted August 12, 1976 and September 9, 1976, respectively. Authority for issuance of the bonds is provided under the California Water District Law, Division 13 of the Water Code of the State of California.

The bonds represent the entire principal amount authorized at a special election held in the district on June 8, 1976. The vote was 3967 in favor (78.4%) to 1096 opposed.

Description of the Bonds

The bonds consist of \$6,500,000 aggregate principal amount numbered 1 to 1,300, inclusive, each in the denomination of \$5,000. The bonds are to be dated November 1, 1976. Interest is payable semiannually by coupon on November 1 and May 1 of each year, except that the first coupon representing 12 months' interest will be payable on November 1, 1977. Principal will mature and become payable in the amounts specified in the adjoining table.

Both principal and interest are payable at the principal office of United California Bank in the City of Los Angeles, California, or at the principal office of The Northern Trust Company in the City of Chicago, Illinois, or at the principal office of Manufacturers Hanover Trust Company in the Borough of Manhattan, City and State of New York, paying agents for the district.

Redemption Provisions

The 1976 Water Bonds maturing on or before November 1, 1987, a total principal amount of \$1,500,000, are not redeemable prior to their fixed maturity dates. Bonds maturing on or after November 1, 1988, a total principal amount of \$5,000,000, are redeemable on any interest payment date on or after November 1, 1987, as a whole or in part in inverse order of maturity and by lot within a maturity at the principal amount plus a premium of one-fourth of one percent for each whole year and for any remaining fraction of a year between the maturity date and the date of redemption. The district will publish a notice of intended redemption at least 30 days before any bonds are to be called. Copies of the notice of redemption are to be mailed to the holders of any registered bonds designated for redemption.

Registration

The bonds will be issued as coupon bonds and will be registrable as to principal only or as to both principal and interest, and the form of registration may be changed or the bonds discharged from registration.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds is exempt from all present Federal income taxes and from State of California personal income taxes under existing statutes, regulations, and court decisions,

MATURITY SCHEDULE

<i>Maturity Date November 1</i>	<i>Principal Maturing</i>
1977	\$ 90,000
1978	100,000
1979	110,000
1980	110,000
1981	120,000
1982	130,000
1983	140,000
1984	160,000
1985	170,000
1986	180,000
1987	190,000
1988	210,000
1989	230,000
1990	250,000
1991	260,000
1992	280,000
1993	310,000
1994	330,000
1995	350,000
1996	380,000
1997	410,000
1998	450,000
1999	480,000
2000	520,000
2001	540,000

Legal Opinion

The legal opinion of Rutan & Tucker, Santa Ana, California ("Bond Counsel") approving the validity of the bonds will be supplied free of charge to the purchasers at the time of the original delivery of the bonds. A copy of the legal opinion will be printed on each bond without charge to the successful bidder.

The statements of law and legal conclusions set forth herein under the caption "The Bonds" have been reviewed by Bond Counsel. Bond Counsel's employment is limited to the review of the legal proceedings required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds not mentioned in this paragraph.

Security

The 1976 Water Bonds are issued pursuant to California Water District Law (Division 13 of the Water Code), and the bonds are secured by and payable from an unlimited annual assessment upon taxable land within Improvement District No. 3, or charges which, in the discretion of the Board, are fixed and collected in lieu of the unlimited assessment. All land shall be and remain liable to assessments in amounts sufficient to meet principal and interest payments on the bonds.

Bond Reserve Fund

From proceeds of the bond issue the district will set aside \$300,000 into a bond reserve fund to be maintained over the life of the issue and used only in the event other revenues are insufficient to meet annual debt service requirements. The district is required to restore the reserve fund to an amount no less than \$300,000 if it is ever drawn upon. The \$300,000 figure represents approximately half of estimated annual debt service on the 1976 Water Bonds.

Closing Papers

Each proposal for bids on the bonds will be understood to be conditioned upon the district furnishing to the purchaser, without charge, concurrently with payment for and delivery of the bonds, the following closing papers, each dated the date of such delivery:

1. Legal opinion—The unqualified opinion of Rutan & Tucker, Bond Counsel, approving the validity of the bonds and stating that interest on the bonds is exempt from income taxes of the United States of America under present federal income tax laws, and that such interest is also exempt from personal income taxes of the State of California under present state income tax laws.
2. At the time of payment for and delivery of the bonds, the district will furnish the successful bidder a certificate, signed by an appropriate officer of the district acting in his official capacity, to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the Official Statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (b) since the date of the Official Statement no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement; nor (c) has there been any material adverse change in the operation or financial affairs of the district since the date of such Official Statement.

3. A certificate of an officer of the district that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the bonds will be used in a manner that would cause the bonds to be arbitrage bonds;
4. A certificate signed by an officer of the district that there is no litigation threatened or pending affecting the validity of the bonds;
5. The signature certificates of the officers and representatives of the district, showing that they have signed the bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same; and
6. The receipt of the Treasurer of the district showing that the purchase price of the bonds, including interest accrued to the date of delivery thereof, has been received by the district.

Districts Securities Division Certification

The California Districts Securities Division, Office of the State Treasurer (DSD), is a state agency exercising supervisory powers pursuant to Division 10 of the Water Code. The Districts Securities Advisory Commission consists of a representative of the Department of Water Resources and six other members all appointed by the State Treasurer. The Advisory Commission reviews the construction and financing programs of special districts. Sale of district bonds is subject to the approval and certification of the State Treasurer.

The Walnut Valley Water District, formed under the California Water District Law (Water Code Sections 34000 et seq.) is subject to the jurisdiction of the DSD. Prior to approval of the sale and certification of bonds, the DSD staff investigates the project, bond security, terms, and conditions. Expenditure of bond proceeds must also be approved by the State Treasurer. Districts under the jurisdiction of the DSD must file an

annual audit report with the Division and a monthly statement of receipts and expenditures for each bond issue until the completion of all projects, audit of receipts and expenditures, and final approval of the DSD. The sale of the 1976 Bonds has been approved by the DSD, and prior to the expenditure of bond proceeds, approval of the expenditures will be obtained.

Maximum Bond Service

Table 2 shows bond service based on an assumed interest rate of 8% which is the maximum permissible under state law.

TABLE 2
MAXIMUM POSSIBLE BOND SERVICE
WALNUT VALLEY WATER DISTRICT, IMPROVEMENT DISTRICT NO. 3,
\$6,500,000 1976 WATER BONDS

Year	Principal Outstanding Beginning of Year	Interest at 8%		Principal Maturing November 1	Total Bond Service
		May 1	November 1		
1977/78	\$6,500,000	\$ —	\$ 520,000	\$ 90,000	\$ 610,000
1978/79	6,410,000	256,400	256,400	100,000	612,800
1979/80	6,310,000	252,400	252,400	110,000	614,800
1980/81	6,200,000	248,000	248,000	110,000	606,000
1981/82	6,090,000	243,600	243,600	120,000	607,200
1982/83	5,970,000	238,800	238,800	130,000	607,600
1983/84	5,840,000	233,600	233,600	140,000	607,200
1984/85	5,700,000	228,000	228,000	160,000	616,000
1985/86	5,540,000	221,600	221,600	170,000	613,200
1986/87	5,370,000	214,800	214,800	180,000	609,600
1987/88	5,190,000	207,600	207,600	190,000	605,200
1988/89	5,000,000	200,000	200,000	210,000*	610,000
1989/90	4,790,000	191,600	191,600	230,000*	613,200
1990/91	4,560,000	182,400	182,400	250,000*	614,800
1991/92	4,310,000	172,400	172,400	260,000*	604,800
1992/93	4,050,000	162,000	162,000	280,000*	604,000
1993/94	3,770,000	150,800	150,800	310,000*	611,600
1994/95	3,460,000	138,400	138,400	330,000*	606,800
1995/96	3,130,000	125,200	125,200	350,000*	600,400
1996/97	2,780,000	111,200	111,200	380,000*	602,400
1997/98	2,400,000	96,000	96,000	410,000*	602,000
1998/99	1,990,000	79,600	79,600	450,000*	609,200
1999/00	1,540,000	61,600	61,600	480,000*	603,200
2000/01	1,060,000	42,400	42,400	520,000*	604,800
2001/02	540,000	21,600	21,600	540,000*	583,200
		\$4,080,000	\$4,600,000	\$6,500,000	\$15,180,000

* Callable on or after November 1, 1987.

WATER SYSTEM ACQUISITION AND OPERATION

Improvement District No. 3 of the Walnut Valley Water District was formed in 1975 having coterminous boundaries with the service area of the Diamond Bar Water Company. ID No. 3 was formed for the purpose of purchasing the Diamond Bar Water Company from the Transamerica Development Company (Tadco). On June 8, 1976, ID No. 3 voters authorized, by more than 78%, the sale of general obligation bonds in the principal amount of \$6,500,000 for the acquisition and improvement of the Diamond Bar water system.

Background of the Acquisition

The Diamond Bar Water Company was formed by the Transamerica Development Company to provide water service to the 8,000-acre master-planned community called "Diamond Bar", which was and is being developed by Tadco. Diamond Bar presently has a population of approximately 20,000 occupying 5,500 households and also has four shopping centers in various stages of development. Approximately one-third of Diamond Bar is developed, not including an additional 2,400 homes either under construction or in the advanced planning stage. The master plan for Diamond Bar was approved by Los Angeles County in 1958, and home sales began in 1960. Table 4 shows growth of active services and volume of water purchased and consumed.

Pursuant to Decision No. 56524, dated April 15, 1958, the Public Utilities Commission of the State of California (PUC) granted the Diamond Bar Water Company a certificate to operate and serve the Diamond Bar area. The company commenced operations in April of 1960. The water system was constructed and is continuously being expanded to provide domestic water service to the area. The source of the water supply is the Metropolitan Water District's imported waters obtained from the Pomona Valley Municipal

Water District and from the Walnut Valley Water District. (See "Source of Supply", page 12.) The water is purchased at rates fixed by these districts. Water is received at booster pumping stations, elevated to a level of 1,350 feet and stored in reservoirs that service four distribution pressure zones within the rolling hills of the area. All services on the system, except fire services, are metered. Water system improvements extended into new subdivisions are paid for by the developer pursuant to main extension rules established by the PUC. Under the main extension rules, the developer deposits the amount of money required to effect the extension of the water facilities (not including meters). The deposits are then refunded to the developer under a refund agreement. The refunds are paid over a period of 20 years as money is collected with five yearly lump-sum payments for any balance.

In 1975 Tadco offered to sell the Diamond Bar water system in its entirety to the Walnut Valley Water District, and after extensive negotiations, a base purchase price of \$4,600,000 was established. To accomplish the financing, ID No. 3 was formed and the voters were asked to determine whether or not general obligation bonds should be authorized to finance acquisition and improvement of the water system. Prior to the election, the Diamond Bar Water Company applied for a rate increase to the PUC, and a 31.5% increase was subsequently approved. Studies by the Walnut Valley Water District staff and officials of the water company indicated that the cost for water under district operation would be less than if the water company raised its rates to those authorized by the PUC. (The District proposed keeping rates at the present level and levying a property tax [on land only] to partially pay debt service on the bonds sold to finance acquisition and improvement of the water system.)

Voters of the district approved the sale of bonds, and the district and the company entered into a water system acquisition agreement. This agreement to transfer ownership from private to public was submitted to the PUC for approval and acted on favorably pursuant to Decision No. 86414, dated September 21, 1976. Under state law, a California Water District must also receive approval to undertake a project of this type by the Districts Securities Division of the Office of the Treasurer of the State of California. Such approval was received by DSD Order No. 22, dated September 20, 1976.

Prior to entering into the acquisition agreement, the district's staff and engineers made detailed studies to determine those additional facilities which would be needed to serve the Diamond Bar area in the future and the facilities required to integrate the Diamond Bar system with the present district system so as to provide higher levels of service, additional capacity, and a more efficient overall operation. As a result, over \$1,400,000 was added to the bond issue for additional improvements, as described in Table 3.

Environmental Impact Assessment

In accordance with guidelines established by the California Environmental Quality Act of 1970 ("CEQA") and adopted by the Walnut Valley Water District Board of Directors, the acquisition of the water system was evaluated in terms of possible environmental impact. The staff of the district determined that the acquisition would pose no adverse environmental impacts. This finding was adopted by the Board of Directors and filed with the Los Angeles County Clerk, and the time for appealing this finding has expired.

Improvement District No. 3 Water Rates

Table 5 shows the schedule of water rates which will be charged by the district. In addition to the rates shown in Table 5, the district will levy a monthly charge for fire hydrants of \$2.50 per month per hydrant. Water will be provided to houses while they are under construction at a rate of \$1.50 per month. These are the same rates presently charged by the Diamond Bar Water Company.

The district will deal with present and future delinquent accounts according to its current operating policy. Under this procedure a reminder notice is sent to the user with the second monthly bill following delinquency. If the account is not cleared by that time, a follow-up letter is sent 15 days later. Seven days later the water is shut off. A re-connection charge of five dollars is levied when the account is cleared by cash only. The district will pursue existing ID No. 3 delinquent accounts on behalf of the company and will remit appropriate collections to the company.

TABLE 3
ESTIMATED PROJECT COSTS AND BOND ISSUE REQUIREMENT

Water system purchase price	\$4,600,000
Four million-gallon steel reservoir	540,000
Purchase capacity in Walnut Valley Water District Reservoir R-6 Project	105,750
Pumping and pressure stations	101,000
Line extensions	313,700
Construction contingencies	95,500
Engineering, testing and inspection	143,200
Telemetry, radio equipment and additional facilities	145,850
Bond reserve	300,000
Legal, financing and incidentals	155,000
Total Project Cost and Bond Reserve Requirement	\$6,500,000

TABLE 4
DIAMOND BAR WATER COMPANY
NUMBER OF SERVICES AND WATER CONSUMPTION

<i>Year End</i>	<i>Number of Active Services</i>		<i>Water in 100's of Cubic Feet</i>	
	<i>Metered</i>	<i>Fire</i>	<i>Purchased</i>	<i>Sold</i>
1960	76	26	64,306	62,841
1961	160	36	47,864	52,734
1962	351	69	91,979	108,444
1963	871	103	167,989	180,224
1964	1,384	184	527,649	510,546
1965	1,852	237	657,501	624,062
1966	2,293	281	778,390	780,086
1967	2,539	295	809,904	812,819
1968	2,906	336	1,002,242	1,006,088
1969	3,114	347	1,065,724	1,045,452
1970	3,318	399	1,364,699	1,328,072
1971	3,545	405	1,280,217	1,207,474
1972	3,822	433	1,345,883	1,301,120
1973	4,399	461	1,308,381	1,331,493
1974	4,841	576	1,463,724	1,465,961
1975	5,347	582	1,600,206	1,548,964
1976*	5,610	624	1,414,620	1,306,707

* Through September, 1976.
Source: Diamond Bar Water Company.

TABLE 5
SCHEDULE OF IMPROVEMENT DISTRICT NO. 3 WATER RATES

<i>Quantity Rates</i>	<i>Per Meter Per Month</i>
First 400 Cu. Ft., per 100 Cu. Ft.	\$0.75
Next 1,600 Cu. Ft., per 100 Cu. Ft.	.60
Next 6,000 Cu. Ft., per 100 Cu. Ft.	.40
Next 32,000 Cu. Ft., per 100 Cu. Ft.	.30
Over 40,000 Cu. Ft., per 100 Cu. Ft.	.20
<i>Monthly Charges</i>	<i>Minimum*</i>
For 5/8" x 3/4" meter	\$ 3.00
3/4" meter	4.20
1" meter	6.00
1 1/2" meter	9.00
2" meter	12.00
3" meter	17.00
4" meter	25.00
6" meter	33.00
8" meter	—

* The minimum charge will entitle the customer to the quantity of water which that minimum charge will purchase at the quantity rates.

TABLE 6
DIAMOND BAR WATER COMPANY
REVENUES AND EXPENSES, 1973-1976*

	1973	1974	1975	1976† (Estimated)
OPERATING REVENUES				
Residential	\$539,139	\$610,155	\$666,814	\$839,462
Business	52,577	52,668	60,246	‡
Industrial	5,955	6,745	7,935	6,924
Public authorities	59,387	60,893	51,593	32,335
Private fire protection	2,518	2,868	3,112	3,584
Public fire protection	13,165	15,350	16,680	17,902
Other	1,679	2,217	1,960	3,292
Total Operating Revenues	\$674,420	\$750,896	\$808,340	\$903,499
OPERATING EXPENSES				
Source of supply	\$205,544	\$239,034	\$264,203	\$327,067
Pumping	22,275	26,681	28,095	37,609
Transmission and distribution	42,735	58,553	59,035	78,414
Customer accounts	40,779	40,024	44,733	52,488
Administrative and general	84,242	93,295	102,767	123,093
Rents	2,700	2,700	2,700	2,700
Administrative expenses transferred§	(22,948)	(21,481)	(7,385)	(15,155)
Total Operating Expenses	\$375,327	\$438,806	\$494,148	\$606,216
Net Operating Revenues¶	\$299,093	\$312,090	\$314,192	\$297,283

* Financial statements and estimates by Diamond Bar Water Company.

† Estimate by Diamond Bar Water Company based on 9 months actual.

‡ Combined total for residential and business revenues.

§ Amounts transferred to construction work orders. (Administrative and general expenses capitalized.)

¶ Net before depreciation, taxes, interest, and income deductions.

Projected Water Revenues and Expenses

Table 7 shows projected water system revenues and expenses based upon the operating history of the company and estimates and projections by company and district staff and utility accountants. As a matter of policy, the district expects to meet a part of the debt service from taxes on land, since a large portion of ID No. 3 is yet to be developed and the availability of water is a valuable asset to the owners and developers of the vacant properties.

The district expects to serve development as it occurs but will require the developer to dedicate water system facilities within the subdivisions to be served. In addition, the district will levy a per acre facilities use charge of \$750 which will be used to fund major capital improvements for the benefit of ID No. 3.

Improvement District No. 3 Assessed Valuation and Tax Rate

Improvement District No. 3 was formed on December 23, 1975 and its assessed valuation appears on the tax roll for the first time in 1976/77. As indicated earlier, land only is the tax base for a California Water District. The 1976/77 assessed valuation of land in ID No. 3 is \$21,011,340. (The improvement district's grand total assessed valuation is \$56,494,475.)

The district levied a tax in ID No. 3 for 1976/77 of \$1.9547. Proceeds from the tax (which will produce \$410,708) can be used only for debt service on the Improvement District No. 3 1976 Water Bonds. Taxes are payable in two equal installments and become delinquent if not paid by December 10 and April 10. Proceeds from the 1976/77 levy will be received by the district in January and May, 1977, and the first payment on the 1976 bonds is not due until November 1, 1977. Based

on projections of water system revenues and expenses (see Table 6) sufficient revenues will be available from taxes and net operating revenues to meet debt service as it comes due.

Because approximately two-thirds of the land area in ID No. 3 is undeveloped, the Board of Directors of the District has, as a matter of policy, decided to meet debt service from both taxes and net operating revenues.

Based on studies by the district staff, the average assessed valuation of an 8,000-square foot single family residential property is \$3,000. The \$1.9547 tax rate would, therefore, cost the homeowner of an 8,000-square foot property approximately \$59.00. This amount approximates the average cost that would have been added under the water rate increase approved by the PUC for the Diamond Bar Water Company.

TABLE 7
PRO FORMA 1977 REVENUES AND EXPENSES OF
DIAMOND BAR WATER SYSTEM UNDER DISTRICT OPERATION

Operating Revenues ^①	\$988,099
Operating Expenses ^②	
Source of supply ^③	\$376,211
Pumping	39,866
Transmission and distribution	83,119
Customer accounts ^④	50,637
Administrative and general ^⑤	88,974
Rents and miscellaneous	3,000
Employee taxes	11,000
	\$652,807
Net Operating Revenues	\$335,292
Non-Operating Revenues	
Property taxes ^⑥	\$410,708
Interest ^⑦	20,000
Total Non-Operating Revenues	\$430,708
Revenues Available for Debt Service	\$766,000
Non-Operating Expenses	
Debt service 1976 Water Bonds ^⑧	\$610,000
Advance contract refunds ^⑨	156,000
Total Non-Operating Expenses	\$766,000

① Based on estimated 1976 Revenues of Company plus assumption that 50% of the 2,400 homes under construction or in advance planning stage will be completed and occupied for 50% of the year. (Assumes average annual revenue per unit of \$141.)

② Assumes minimum 6% increase over 1976.

③ Includes \$29,520 estimated cost of additional water.

④ Assumes savings of \$5,000 through combined billing.

⑤ Administrative expenses reduced by \$24,000 resulting from elimination of company General Manager's salary and two clerical positions. Net of administrative credits transferred.

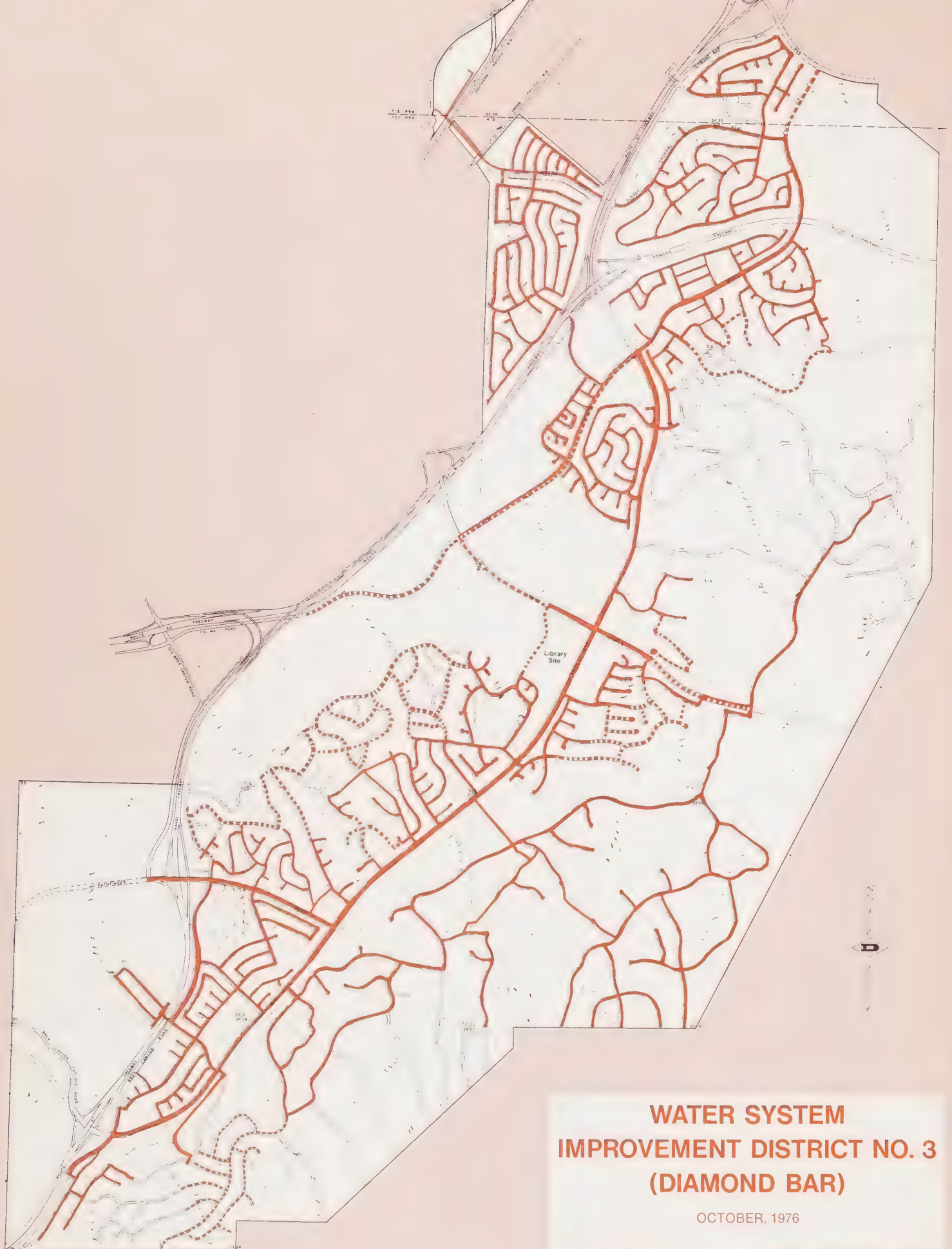
⑥ 1976/77 tax rate of \$1.9547 applicable to land value of \$21,011,340 (due by May 1977).

⑦ Assumes interest on reserve fund of 5% (\$15,000) plus miscellaneous interest earned on construction and other funds.

⑧ Based on maximum interest rate of 8% (see Table 2).

⑨ Diamond Bar Water Company, Results of Operation, Rate Increase Application Exhibit, pp77, as increased to include refunds based upon additional revenues as per Note ①.

Source: District staff and utility accountants.



WATER SYSTEM IMPROVEMENT DISTRICT NO. 3 (DIAMOND BAR)

OCTOBER, 1976

SCALE 1" = 100'

Existing Water System ———
Proposed Water Mains - - - - -

DISTRICT ORGANIZATION, FACILITIES AND FINANCIAL DATA

Organization and Operation

The Walnut Valley Water District was established in July, 1952 under provisions of Division 13 of the California Water Code (California Water District Law). A five-member board of directors governs the district and the board is elected to staggered four-year terms by landowners in each of five election districts. Each director must be a landowner and resident within his respective district.

From among its members the board appoints a president, one or more vice presidents, and such other positions as it deems necessary. District operations are supervised by an appointed general manager. Assessor-collector functions are performed for the district by Los Angeles County, and the district's general manager has been appointed to serve as secretary-treasurer.

Edmund M. Biederman has served as general manager of the Walnut Valley Water District since 1958. He holds bachelor degrees in both civil and administrative engineering, as well as a Certificate of Public Works Engineering, and has the highest possible certification in Water Distribution and Water Treatment from the American Water Works Association and the California State Health Department, respectively. In 1975 he was recipient of the Elliott Award, given by the California Section of the American Water Works Association in recognition of outstanding service to the water utility industry.

Employee Relations and Benefits

Mr. Biederman presently supervises a staff of 23 (21 regular employees and 2 CETA employees), 10 of whom are in operations and the remainder in administrative, clerical and engineering positions. When the district acquires the Diamond Bar Water Company, they have agreed to hire all company employees except the general manager and two clerical employees. Eleven company employees will join the district staff at the same salaries they presently command. (Company and district salary scales are nearly identical.)

The Walnut Valley Water District Employees' Association is the only labor organization representing employees of the district. The association is not affiliated with any labor union, and membership is voluntary. The organization currently represents about half of the district's employees. There have been no labor disputes in the district. Cost-of-living adjustments are made every six months, based on the Consumer Price Index, and a system of merit raises is also incorporated into wage increases.

The district's pension fund covers regular employees who have been in service at least one year and who are over 25. Currently the district makes pension fund contributions for 18 employees, representing 15% of their gross annual salary. The benefits are paid entirely by the district. The projected contribution for 1976/77 is \$36,000. The new employees will not be eligible under the plan until July 1, 1978. The fund is administered by Pacific Mutual Life Insurance Company and it is fully funded.

The Present District System

Presently encompassing about 20,000 acres, the Walnut Valley Water District provides water service to a majority of the City of Walnut; portions of the Cities of Pomona, West Covina, and Industry; the eastern half of Rowland Heights; and, on a wholesale basis, all of Diamond Bar.

Applicants for water service pay the cost of transmission facilities from the existing district system to the property to be served. Subdividers are required to pay the costs of all in-tract facilities. If the district requires the applicant to oversize the facilities to meet district requirements, the applicant is reimbursed for the added costs of materials involved in the oversizing. This policy will apply to future extensions within ID No. 3.

The district also requires that applicants for water service pay a one-time facilities use charge of \$750 per acre, with a minimum for any parcel of \$50. The proceeds from these charges are deposited in a special fund known as the Acreage Supply Charge Fund and are used to expand and improve the overall system. If the facilities paid for by applicants for service would have been installed by the district in the future under its own improvement program, those costs to the applicant are credited against the facilities use charge. Such charges will become applicable to ID No. 3 after the acquisition.

The present physical plant of the district consists of approximately 100 miles of 10-inch to 48-inch transmission lines (concrete-lined steel pipes), and 4-inch to 8-inch distribution lines (asbestos cement pipe); 40 miles of service laterals to homes and factories; and reservoir facilities with total storage capacity of 13.7 million gallons (covered concrete terminal facilities of 3 and 8 million gallons, and additional distribution storage consisting of 1-million and 1.7-million gallon tanks). Ninety percent of the system is gravity fed, with three pumping stations (having a total of nine pumps) used to pressurize the higher elevations.

An electronic telemetering system installed in 1973 monitors reservoir storage levels, pump operation and pressures from the district's administrative offices. The telemetering system's automatic alarm features allow system failures or malfunctions to be detected and remedied promptly with minimal loss of water or inconvenience to the customer.

Conversion from manual to automatic monitoring and recording has released approximately one-half man year for other services in the district.

On acquisition of the Diamond Bar Water Company, the two systems will be substantially integrated. Funds from the bond issue are allocated to this purpose.

Integration of the Systems

In order to consummate the acquisition of the Diamond Bar Water Company, the physical system, administrative staff, and accounting procedures will be substantially integrated into the Walnut Valley Water System. At present the district operates three pumping plants, while the company operates two others. This bond issue will provide funds for the construction of an additional pumping station to meet future needs.

The district currently has three reservoirs operating, with one under construction. The company has four reservoirs with one additional to be constructed using funds from the bond proceeds. When the 1976 bond project is completed, the water system will consist of nine reservoirs serving four distribution pressure zones.

Integration of the systems will be further enhanced by the formation of Improvement District No. 4 which encompasses the same area as ID No. 3. ID No.4 was formed by the Board of Directors of the district to allow assessments of property owners within ID No. 3 for their proportional share of the costs of capital improvements installed outside ID No. 3 which will provide service to their area.

Integration of the staffing and management of the two systems will

involve incorporation of all company employees (excepting the general manager, retiring, and two clerical positions) into district operation. Salaries will be maintained and new employees will have access to district benefits, including the pension plan, subject to qualification requirements. The billing procedures of the district will be further expanded to accommodate the new accounts. A NCR 399 will be programmed to compute monthly charges on new billing cards. The district estimates an average annual savings of over \$10,000 as a result of the new billing procedure.

The district will assume the refunding agreements of the company when the systems are integrated. Under their Main Extension Rule the utility will refund an applicant's advance for the construction of a water main extension within 180 days in the case of an individual and within 25 years in the case of a development. The repayment schedule by the district for developers will be annually for 20 years, refunding 22% of the revenue received from users of the extension. If during the 20 year period, 80% of the total projected customers are on line, the district will pay the remainder of the refund in five equal installments beginning in the 21st year. The district has agreed to honor all refund commitments with two qualifications. The first qualification pertains to Tadco's extension agreements held by the company. The district and Tadco have agreed that no further payments will be required after the twentieth anniversary dates of such agreements, thus obviating potential lump sum payments. The second qualification limits future main extension agreements to select parcels totaling 450 acres currently being developed by Tadco.

After the acquisition is complete and the systems are integrated, the district agrees to insure equal priority of water distribution to users in ID No. 3 and those in the remainder of the water district under similar circumstances. In the event of water shortages, available and incoming resources will be apportioned uniformly.

Source of Supply

Water is obtained entirely from the Metropolitan Water District of Southern California (MWD), which presently provides a roughly equal mix of water from the Colorado River and the State Water Project. Ongoing efforts have been made to develop a groundwater supply in the Puente Basin. However, present mineral content of the Puente Basin water is too high to meet State Health Department standards for direct mixing into the system, and piping to a reservoir for acceptable blending is not feasible. The Puente Groundwater Basin is fragmented, with low porosity and high transmissibility located below the City of Industry. The Walnut Valley Water District, via the Puente Basin Water Agency, retains control over the pumping activities from the Puente Basin.

Another attempt to develop groundwater sources is planned by the Joint Water Line Commission with a study to determine the feasibility of developing the Spadra Basin for long-term storage. Development of the Spadra Basin (located in the northwest portion of the district) would have a twofold benefit for the district: (1) it would provide the underground storage that would enable the district to avoid peak purchasing of MWD water during the summer months, thus avoiding a proposed pricing policy which would penalize the district \$125,000 to \$145,000 annually; and (2) it would provide a secondary water source, thereby placing the district in a less vulnerable position than is presently the case with a single source of supply.

Present total storage capacity of the district represents about one "maximum day's" use, i.e., the amount of water delivered during one day in the season of peak usage. Emergency interties with the City of Pomona and the City of West Covina have been established.

The Walnut Valley Water District is within the boundaries of the Pomona Valley Municipal Water District and the Metropolitan Water District of Southern California and is therefore entitled to water on the same basis as other water agencies within the MWD.

A 30-inch meter measures water taken from the 42-inch Pomona-Walnut-Rowland Joint Water Line, and an 8-inch meter measures the water delivered through the 39-inch Pomona Municipal Water District line.

In April, 1976 the district received tentative approval of a \$2.5 million state and federal grant, with notification that the district has been placed on a "Priority List" of projects to be funded under the Clean Water Act of 1972. If the funds are appropriated by the Water Resources Control Board and received by the district, project planning and environmental assessment would begin in 1977 to provide treated waste water from the Pomona Water Renovation Plant for irrigation and industrial use. Implementation of the project would reduce the burden on domestic water supplies by effectively reclaiming waste water and would provide the reclaimed water to industrial and irrigation users at a 40% saving.

District Debt

The district first issued general obligation bonds in the amount of \$1,570,000 in 1956 to finance both its share of a joint water line and the basic transmission system needed to serve the developing areas of the district. The joint water line was built

in conjunction with the Rowland Area County Water District and the City of Pomona, which together with the Walnut Valley Water District comprise the Joint Water Commission. The joint water line was completed in 1958 and serves as the district's supply line from the Metropolitan Water District's treatment plant in LaVerne.

Extension of a water main to the Diamond Bar residential development was financed in 1957 by issuance of \$75,000 short-term warrants. In August, 1966 Improvement District No. 2 of the Walnut Valley Water District was established, covering the area served by the Rowland Manor Mutual Water Company. A year later \$125,000 of general obligation bonds were issued to finance both acquisition of the Rowland Manor Mutual Water Company and improvements to the system; the bonds were an obligation of Improvement District No. 2 only, and not of the balance of the district.

Since 1967, three issues of short-term warrants have been sold by the district. In 1967, \$450,000 of warrants were issued to finance construction of a 1.7-million gallon reservoir and have since been retired. In 1971, issuance of another \$430,000 of warrants (since retired) financed a new transmission main, hydraulic investigation of the Puente Basin, telemetering controls, and preliminary engineering work on a 2.27-million gallon reservoir. This reservoir is being financed in part from proceeds of the sale of 1976 Warrants of \$500,000. The 1976 Warrants mature in installments of \$100,000 on July 1 in each of the years 1977 to 1981, inclusive.

Subsequent to June 30, 1976, the Board of Directors of the district filed a notice of intention to form an assessment district pursuant to the Municipal Improvement Act of 1913 (Assessment District No. 1) for the purpose of obtaining funds (\$125,000) to replace the existing pumping station and distribution system serving the area presently provided water by the Skyline Mutual Water Company.

Table 8 shows a statement of direct and overlapping debt within ID No. 3 of the district as of November 18, 1976.

TABLE 8
DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT
WALNUT VALLEY WATER DISTRICT, IMPROVEMENT DISTRICT NO. 3*

Estimated 1976 population	20,000
Total assessed valuation (1976/77)	\$56,494,475†
Estimated market value	\$206,000,000‡

Entity	Percent Applicable	Debt Applicable November 18, 1976
Los Angeles County Building Authorities	0.173%	\$ 339,914
Los Angeles County	0.173	36,493§
Los Angeles Flood Control District	0.175	842,654
Metropolitan Water District	0.126	683,083
Sanitation District No. 21	6.711	107,376
Pomona Unified School District	10.213	860,445
Walnut Valley Unified School District	32.514	1,565,300
Walnut Valley Water District	41.590	561,465
Walnut Valley Water District, ID No. 3	100.	6,500,000¶
City of Pomona	0.286	9,138
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		\$11,505,868
Less: Improvement District No. 3 (40% self-supporting)		2,600,000
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$ 8,905,868

	Ratio to		Per Capita
	Assessed Valuation	Estimated Market Value	
Assessed Valuation	—	—	\$2,825
Gross direct bonded debt	11.51%	3.16%	325
Net direct bonded debt	6.90	1.89	195
Gross direct and overlapping bonded debt	20.37	5.59	575
Net direct and overlapping bonded debt	15.76	4.32	445

SHARE OF AUTHORIZED AND UNSOLD BONDS:

Metropolitan Water District	\$459,000
Los Angeles County Flood Control District	117,163

SHARE OF STATE SCHOOL BUILDING AID PAYABLE AS OF JUNE 30, 1976	\$4,768,599
---	--------------------

* Compiled by California Municipal Statistics, Inc.

† Excluding unsecured property and before homeowners' and business inventory exemptions.

‡ Based on assessment at 27.5% of market value, except for utility valuation at 25% of market value.

§ Excludes \$411,937 district share of \$238,113,959 Los Angeles County lease-purchase obligations.

¶ To be sold November 18, 1976.

Tax Rates, Levies, and Delinquencies

The Los Angeles County Tax Collector performs all tax collection functions for the district. District taxes are collected at the same time and on the same rolls as county, city, school, and special district taxes. Pursuant to the California Water District Law, the assessed valuation of land only serves as the tax base for district taxes.

Payable in two installments, November 1 and April 1, the secured taxes (including land) become delinquent December 10 and April 10, respectively.

Pursuant to Chapter 3, (commencing with Section 2201) of Part 4 of Division 1 of the Revenue and Taxation Code, the district is permitted a maximum ad valorem tax rate for general purposes of \$1.71, which is subject to adjustment as provided in the act. However, tax levies for payment of debt service authorized by the voters is unlimited as to rate or amount.

The annual assessments for payment of principal and interest on outstanding district warrants are subject to the maximum property tax.

Table 10 summarizes the tax rates, levies, and delinquencies since 1969.

Representative tax rates for three code areas in the district are presented in Table 11.

TABLE 9
SUMMARY OF DISTRICT
ASSESSED VALUATION*

Fiscal Year	Assessed Valuation (Land only)
1970/71	\$38,810,480
1971/72	40,423,785
1972/73	42,126,465
1973/74	44,364,765
1974/75	47,225,425
1975/76	48,612,250
1976/77	50,520,095

* Per assessment roll submitted to Los Angeles County Board of Supervisors.
Source: Walnut Valley Water District Audit Reports.

TABLE 10
WALNUT VALLEY WATER DISTRICT
TAX RATES, LEVIES AND DELINQUENCIES

Year Ending June 30	Tax Rate	Taxes Levied	Taxes Collected	Amount Delinquent	Percent Delinquent
1969	\$0.8428	\$261,105	\$252,358	\$ 8,748	3.35%
1970	0.8104	268,832	258,227	10,605	3.94
1971	0.7777	296,804	286,066	10,738	3.62
1972	0.7348	294,231	284,323	9,909	3.37
1973	0.7143	300,282	282,718	17,564	5.85
1974	0.6671	295,737	280,755	14,982	5.07
1975	0.6199	292,269	276,674	15,595	5.34
1976	0.6037	289,576	271,112	18,464	6.38

Source: California Municipal Statistics, Inc.

TABLE 11
1976/77 REPRESENTATIVE TAX RATES

Los Angeles County Tax Code Area	7809 (Incorporated)	7836 (Unincorporated)	9438 (Unincorporated)
Total Assessed Valuation	\$766,845	\$27,820,755	\$15,410,085
Land Only Assessed Valuation	\$227,465	\$ 8,075,375	\$ 4,595,775
Los Angeles County General	\$ 4.4576	\$ 4.4576	\$ 4.4576
County School Services	.0565	.0565	.0565
County Flood Control	.3131	.3131	.3131
County Sanitation District	.2700	.2700	.2700
County Library	—	.2594	.2594
County Lighting Maintenance District	—	.3941	.3941
Children's Institution Tuition Fund	.0515	.0515	.0515
Consolidated Fire Protection District	—	.7865	.7865
Consolidated Sewer Maintenance	—	.0757	.0757
Pomona City	2.4290	—	—
Pomona Unified School District	5.3920	5.3920	—
Pomona Valley Municipal Water District	.0700	.0700	.0700
Metropolitan Water District	.1400	.1400	.1400
Mt. San Antonio Community College District	.7073	.7073	.7073
S. E. Mosquito Abatement District	—	.0048	.0048
Special Road District No. 1	—	.0656	.0656
Walnut Valley Unified School District	—	—	5.8230
Totals	\$13.8870	\$13.0441	\$13.4751
Walnut Valley Water District*	\$.2346	\$.2346	\$.2346
Walnut Valley Water District ID No. 3*	1.9547	1.9547	1.9547
Walnut Valley Water District ID No. 4*	.3209	.3209	.3209
Total District Tax Applicable to Land Only	\$ 2.5102	\$ 2.5102	\$ 2.5102

* Applied against land only assessed valuation.
Source: Los Angeles County Auditor-Controller's Office.

TABLE 12
WALNUT VALLEY WATER DISTRICT
GENERAL FUND REVENUE AND EXPENSES

	1971/72	1972/73	1973/74	1974/75	1975/76
OPERATING REVENUE					
Water sales	\$ 724,410	\$ 698,524	\$ 771,465	\$ 853,674	\$1,151,206
Fire hydrant rental	15,006	15,763	17,489	19,977	22,833
Other revenue	2,405	2,800	3,920	4,361	3,966
Total Operating Revenue	\$ 741,821	\$ 717,087	\$ 792,874	\$ 878,012	\$1,178,005
NON-OPERATING REVENUE					
Taxes and assessments for operations	\$ 296,923	\$ 300,764	\$ 295,908	\$ 284,621	\$ 289,576
Interest	33,742	45,507	80,739	80,936	50,321
Gain on sale of assets	—	—	—	1,285	307
Other sales and service	8,602	7,509	4,742	27,765	35,201
Reduction of prior years' expense	434	—	—	—	—
Delinquency penalties and interest	—	481	2,100	4,005	2,769
Revenue applicable to prior year	—	33,362	3,714	—	960
Receipts from condition of inclusion	—	—	2,054	—	—
Other non-operating income	73	99	256	129	137
Total Non-Operating Revenue	\$ 339,774	\$ 387,722	\$ 389,513	\$ 398,741	\$ 379,271
Total Revenue	\$1,081,595	\$1,104,809	\$1,182,387	\$1,276,753	\$1,557,276
OPERATING EXPENSES					
Source of supply	\$ 457,447	\$ 485,360	\$ 547,685	\$ 558,290	\$ 762,783
Pumping	24,748	25,672	27,640	42,946	42,623
Transmission and distribution	39,816	50,595	56,630	103,059	80,651
Customer accounts	45,615	50,715	65,893	84,376	105,385
Administrative and general	102,969	173,224	160,633	204,834	241,512
Depreciation	127,617	128,140	133,590	139,322	152,663
Total Operating Expenses	\$ 798,212	\$ 913,706	\$ 992,071	\$1,132,827	\$1,385,617
NON-OPERATING EXPENSES					
Expenses applicable to prior year	\$ 1,986	\$ 2,656	\$ 517	\$ 21,638	\$ 6,036
Fiscal agent's fee	943	585	568	532	525
Debt service principal	150,000	150,000	155,000	155,000	214,961
Debt service interest	68,811	53,024	48,695	40,396	53,188
Transfers for future construction	50,000	—	100,000	—	20,000
Transfers to Bond Reserve	5,000	5,000	7,054	5,000	5,000
Transfers for future development	32,500	—	30,000	30,000	25,000
Transfers for office equipment	—	—	39,000	12,500	13,000
Transfers for pension plan	16,000	—	—	—	—
Engineering expenses	5,000	—	—	—	—
Abandonment of pipelines	—	23,490	—	—	—
Total Non-Operating Expenses	\$ 330,240	\$ 234,755	\$ 380,834	\$ 265,066	\$ 337,710
Total Expenses	\$1,128,452	\$1,148,461	\$1,372,905	\$1,397,893	\$1,723,327
Total Revenue	\$1,081,595	\$1,104,809	\$1,182,387	\$1,276,753	\$1,557,276
Total Expenses	1,128,452	1,148,461	1,372,905	1,397,893	1,723,327
Net (Loss)	(\$ 46,857)	(\$ 43,652)	(\$ 190,518)	(\$ 121,140)	(\$ 166,051)

Source: Kearney, Ballman & Gregory, Certified Public Accountants.

General Fund Revenue and Expenses

Table 12 is an income table for the Walnut Valley Water District displaying operating and non-operating revenues and expenses for the last five fiscal years. The accountant has used a procedure whereby fund balance transfers and debt principal payments are included in the income table, resulting in a so-called "net loss". This "net loss" is much more than fully compensated for by adding back those intradistrict fund transfers and principal payments. Table 13 is a supplement to the income table and is presented to illustrate the recomputed net income amount. This latter value is based on factors that illustrate actual operating revenue and expense amounts and is presented as the basis for evaluating the municipal operation.

Assets and Liabilities

Table 14 presents the assets and liabilities for the last two fiscal years for the Walnut Valley Water District. The accounting system adequately provides the information needed for the reporting requirements of the California Districts Securities Division, Office of the State Treasurer. All system fund accounts are kept on the accrual basis.

TABLE 13
SUPPLEMENT TO WALNUT VALLEY WATER DISTRICT INCOME TABLE 12
NET INCOME BEFORE FUND BALANCE TRANSFERS AND DEBT PRINCIPAL PAYMENTS*

	1971/72	1972/73	1973/74	1974/75	1975/76
Net (Loss) (a)	(\$ 46,857)	(\$ 43,652)	(\$190,518)	(\$121,140)	(\$166,051)
Intradistrict fund transfers					
Construction Account Fund	\$ 50,000	\$ —	\$100,000	\$ —	\$ 20,000
Bond Reserve Fund	5,000	5,000	7,054†	5,000	5,000
Future development	32,500	—	30,000	30,000	25,000
Office equipment	—	—	39,000	12,500	13,000
Pension plan	16,000	—	—	—	—
Debt principal payment	150,000	150,000	155,000	155,000	214,961
Total Fund Transfers and Principal (b)	\$253,500	\$155,000	\$331,054	\$202,500	\$277,961
Recomputed Net Income (b — a)	\$206,643	\$111,348	\$140,536	\$ 81,360	\$111,910

* Based on figures reported in Walnut Valley Water District's Auditors Reports prepared by Kearney, Ballman & Gregory, Certified Public Accountants.

† Includes \$2,054 annexation fees.

TABLE 14
WALNUT VALLEY WATER DISTRICT
ASSETS AND LIABILITIES

	1974/75		1975/76	
	Total All Funds	General Fund	Total All Funds	General Fund
ASSETS				
UTILITY PLANT				
Land and rights of way	\$ 88,193	\$ 88,193	\$ 88,193	\$ 88,193
Water rights	6,639	6,639	6,639	6,639
Terminal storage reservoirs	860,402	860,402	863,932	863,932
Pipelines and pumping equipment	2,237,778	2,237,778	2,312,275	2,312,275
Consumer facilities	2,496,459	2,496,459	3,102,745	3,102,745
Reservoirs and fencing	250,320	250,320	250,320	250,320
Office site and buildings	94,170	94,170	94,480	94,480
Office furniture and equipment	97,502	97,502	101,465	101,465
Operating equipment	64,384	64,384	73,177	73,177
Construction in progress	1,045,228	—	624,256	—
Less accumulated depreciation	(1,484,892)	(1,484,892)	(1,634,914)	(1,634,915)
Total Utility Plant	\$5,756,183	\$4,710,955	\$5,882,568	\$5,258,311
RESTRICTED ASSETS				
Cash	\$ 12,200	\$ 8,543	\$ 4,112	\$ 3,681
Temporary investments	163,000	163,000	216,000	216,000
Total Restricted Assets	\$ 175,200	\$ 171,543	\$ 220,112	\$ 219,681
CURRENT ASSETS				
Cash	\$ 123,768	\$ 65,489	\$ 385,931	\$ 192,258
Temporary investments	877,000	565,000	854,672	282,000
Accounts receivable	307,967	115,555	361,546	136,321
Taxes receivable	21,108	21,108	25,912	25,912
Due from other funds	633,481	64,684	874,536	79,005
Inventory of materials and supplies—at cost	16,464	16,464	18,291	18,291
Prepayments	3,156	3,156	5,013	5,013
Deposits	1,810	1,810	1,310	1,310
Total Current Assets	\$1,984,754	\$ 853,266	\$2,500,211	\$ 740,110
DEFERRED DEBITS				
Amounts to be provided				
For retirement of obligations	\$ 939,960	\$ —	\$ 774,999	\$ —
For future interest	182,895	—	149,707	—
Monies advanced for Improvement District No. 3	—	—	33,188	33,188
Total Deferred Debits	\$1,122,855	\$ —	\$ 957,895	\$ 33,188
Total Assets	\$9,038,992	\$5,735,764	\$9,560,786	\$6,251,290

	1974/75		1975/76	
	Total All Funds	General Fund	Total All Funds	General Fund
LIABILITIES				
LONG-TERM DEBT				
Unmatured bonds and warrants	\$1,095,000	\$ —	\$ 940,000	\$ —
Interest payable in future years	225,211	—	184,815	—
Total Long-Term Debt	\$1,320,211	\$ —	\$1,124,815	\$ —
CURRENT LIABILITIES				
Warrants outstanding	\$ 136,268	\$ 114,531	\$ 169,014	\$ 134,273
Warrants not issued	18,488	7,989	9,421	5,562
Interest payable — unredeemed coupons	3,656	—	431	—
Due to Improvement District No. 2	—	—	1,211	1,211
Due to other funds	633,481	484,553	874,536	407,354
Customers' deposits and unclaimed checks	66,543	66,543	76,681	76,681
Unredeemed warrants cancelled	7	7	10	10
Other current liabilities	7,194	7,194	28,659	18,659
Total Current Liabilities	\$ 865,637	\$ 680,817	\$1,159,963	\$ 643,750
DEFERRED CREDITS				
Costs advanced	\$ 7,701	\$ 7,701	\$ 7,701	\$ 7,701
Amounts provided				
For retirement of obligations	—	—	50,000	—
For future interest	—	—	20,000	—
Total Deferred Credits	\$ —	\$ —	\$ 77,701	\$ 7,701
RESERVES				
Reserve for retirement of bonds	\$ 130,573	\$ —	\$ 135,573	\$ —
Reserve for future development	92,500	92,500	117,500	117,500
Reserve for office equipment	12,500	12,500	25,500	25,500
Total Reserves	\$ 235,573	\$ 105,000	\$ 278,573	\$ 143,000
FUND BALANCES				
Investment in utility plant				
Contributions	\$5,133,528	\$3,783,130	\$5,746,583	\$4,389,417
Other sources	2,293,166	1,975,940	2,156,027	2,050,298
Unappropriated fund balance (deficit)	(816,824)	(816,824)	(982,876)	(982,876)
Total Fund Balances	\$6,609,870	\$4,942,246	\$6,919,734	\$5,456,839
Total Liabilities	\$9,038,992	\$5,735,764	\$9,560,786	\$6,251,290

Source: Kearney, Ballman & Gregory, Certified Public Accountants.



IMPROVEMENT DISTRICT NO. 3
(DIAMOND BAR)

IMPROVEMENT DISTRICT
NO. 3 AND VICINITY

Improvement District No. 3 was formed by the Walnut Valley Water District's Board of Directors to facilitate the financing for the acquisition of the Diamond Bar water system. ID No. 3 coincides with the 8,000-acre Diamond Bar planned community which comprises approximately 40% of the land area of the Walnut Valley Water District and about half its population. ID No. 3 is located nearly equidistant from the City of Los Angeles, located roughly 30 miles to the west, and the Cities of Riverside and San Bernardino to the east.

Historically, this area of lightly vegetated, rolling terrain was known as Rancho Los Nogales, a Spanish land grant, and was primarily used for agricultural and grazing purposes by the Bartholomae family until its acquisition by a subsidiary of Transamerica Corporation, the Capital Company, in 1956. Shortly after a master plan was adopted in 1958, responsibility for development of the area passed on to another Transamerica subsidiary, the Diamond Bar Development Corporation. Since that time the agricultural character of the area has gradually given way to residential development. Homes in Diamond Bar currently range in price from \$30,000 to \$150,000. The current population of 20,000 in ID No. 3 is expected to nearly treble if residential development reaches completion according to its general plan. The site is attractive for this development because of its proximity to nearby employment centers, the availability of necessary commercial facilities, the accessibility to recreational outlets, and the character of the area itself.

The Walnut Valley Water District consists of an additional 12,000 acres

which offer sites for considerable residential and industrial development. Within the district's borders are portions of the cities of Walnut and Industry. Walnut is chiefly residential, while Industry, as its name implies, is characterized by extensive industrial development.

Population and Characteristics

The Walnut Valley Water District's population is currently estimated at 42,000. The total population of the district is expected to reach 112,000 when all water connections have been completed. Approximately half of the district's population is in ID No. 3. Inasmuch as water service connections could increase from 5,500 to 16,000 in ID No. 3, total population should level off at approximately 58,000 if the current population ratio of 3.5 persons per connection remains stable. Table 15 presents population history and trends for the county and two districts.

According to the 1970 Census figures compiled by the Bureau of the Census, Department of Commerce, the median family income for ID No. 3 was approximately \$14,500. The median age for the area may be estimated using data reported in the "General Social and Economic Data of California" compiled by the bureau for 1970. Under the category "Social and Industrial Characteristics of Rural Non-Farm Population," a median age of 28.6 years is reported.

TABLE 15
POPULATION HISTORY AND TRENDS FOR ID NO. 3 AND VICINITY

	1960	1970	1980	1990
Los Angeles County	6,038,771*	6,993,371*	7,177,000†	7,557,000†
East San Gabriel Valley†	304,000	441,000	482,000	500,000
Walnut Valley Water District‡	2,500	28,000	63,800	112,000
Improvement District No. 3‡	100	12,000	28,500	58,000

* U.S. Census.
† Southern California Association of Governments.
‡ Walnut Valley Water District (estimates based on 3.5 persons per water connection).

Employment and Economic Development

Improvement District No. 3 is ringed by four major industrial centers: Pomona, Industry, Brea, and Anaheim-Fullerton. There are over 125 industries employing 100 or more people within a 13-mile radius, with some, such as Autonetics (Anaheim) and General Dynamics (Pomona) employing many thousands. In addition, service industries and retail stores provide an employment base of many thousands of jobs to the area. Besides being unencumbered with the negative side effects of heavy industry, the Improvement District offers its residents approximately 1.7 million jobs within a 30-minute commute.

Table 16 lists industries located within the Walnut Valley Water District. Two of these industries, Titech and Teledyne Casting, fall within the boundaries of ID No. 3.

Inasmuch as the City of Industry lies immediately adjacent to ID No. 3, its importance as a provider of employment is perhaps more significant than the other three centers. Since its incorporation in 1957, the City of Industry has devoted itself primarily to the fostering of warehousing, distribution, and manufacturing. The industrial growth rate in the city with respect to aggregate payroll has averaged a 20% annual increase for the last fifteen years. In addition, the number of firms represented has increased from 70 in 1960 to 504 in 1975, according to statistics developed by the Stanford Research Institute. These trends indicate that the developing employment base adjacent to ID No. 3 will continue to accommodate the increasing residential population.

An unemployment rate of 9.1% was reported for Los Angeles County by the Los Angeles-Long Beach Labor Market Bulletin dated August 1976. The California Department of Manpower Administration calculated an unemployment rate of 8.7% for the unincorporated areas of Los Angeles County during the period of March through May 1976.

Since the ID No. 3 is basically residential in character, major economic development has chiefly consisted of single and multi-family unit construction and provision for commercial-support services. At present, development of the Improvement District is only about one-third complete. Currently there are approximately 5,500 households with an average occupancy of 4.15 persons for a single family unit, 2.15 for townhouses, and 1.9 for apartments. Several homebuilders have an additional 2,400 new units in the planning or construction stage with an ultimate construction capacity in ID No. 3 of approximately 16,000 homes.

Commercial outlets currently include shopping centers, several convenience stores, six service stations, and a variety of restaurants. The master plan for the area contemplates four neighborhood shopping centers when Diamond Bar is fully developed.

TABLE 16
MAJOR EMPLOYERS IN WALNUT VALLEY WATER DISTRICT

<i>Company</i>	<i>Product</i>	<i>Approximate No. of Employees</i>
Pacific State Hospital	Mental health care	1,600
Owens-Illinois, Inc. Libbey Glass Division	Glass tableware	500
Norris Industries, Inc. Plumbing Fixtures Division	Plumbing fixtures	400
Fazio's, a Division of Fisher Foods	Retail food distribution center	310
Teledyne Casting*	Non-ferrous foundry metal	250-499
Con-Stan Industries, Inc.	Clothing, natural foods	200
Revere Extruders	Aluminum extrusions	100-249
Ailtech, a Cutler-Hammer Co.	Electronic instruments	84
J. C. I., Inc.	Bicycle parts and accessories	75
Plastron, Inc.	Extruded plastics	60
Titech*	Titanium ingots and castings	50-99
Iodent Chemical Co.	Personal care	35

* Located in ID No. 3.

Sources: City of Industry Manufacturers Council, 1976 Business Directory and City of Pomona Chamber of Commerce, 1976 Business Directory.



Diamond Bar is a planned development with homes ranging in price from \$30,000 to \$150,000; offering its residents neighborhood schools, a variety of recreational opportunities and other facilities within a community atmosphere.



Los Angeles County Master Plan Litigation

The Los Angeles County Master Plan is currently being revised by the County Planning Department pursuant to the California Superior Court Decision No. 63281 filed in July of 1975. This decision, rendered by Judge Thomas, cited the Los Angeles County plan as being inadequate since it showed a future increase of urbanized area while projecting a decrease in County population and also since it depicted environmentally sensitive zones that were projected for intensive urbanization. Several of these zones located in ID No. 3 are so designated owing to steep slopes. These pose constraints to development. Presently these zones are being avoided for development. The County Planning Department will prepare a community plan for ID No. 3 within two years that should deal with the interface of the local and county plans. Residents within ID No. 3 will vote on the formation of a Municipal Advisory Committee on the November 1976 ballot for their unincorporated area. This committee would advise the Los Angeles County Board of Supervisors on the disposition of development in the area. The long-range impacts of these proceedings remain uncertain.

Educational Facilities

The master plan for Diamond Bar calls for the eventual construction of nine elementary schools, two junior high schools and at least one high school. Presently, high school students attend two high schools outside the Improvement District, one in the Pomona School District and one in the Walnut Valley School District. Construction of their own high school would obviate the need for Walnut Valley's school. Nine colleges and graduate schools are within 20 minutes driving time of the community, including Mt. San Antonio College (two-year) and California State Polytechnic University, Pomona.

Recreational Facilities

There are a plethora of recreational opportunities readily available for the residents. Forty-five acre Sycamore Canyon Park plans picnic and barbecue facilities, hiking and nature trails, and baseball diamonds. A private residential development known as "The Country" offers a large park and equestrian center for members. The San Gabriel Mountains are about 30 miles to the north of the Improvement District and beach communities can be found about 35 miles southwest.

Transportation

Another contributing element to the development of ID No. 3 is its accessibility to neighboring communities. The Pomona and Orange Freeways border the western side of ID No. 3 providing ready access to the City of Los Angeles and to Orange and San Bernardino Counties. Ontario Airport is about 23 miles east of the district. The Los Angeles Rapid Transit District provides bus service to the district, and the Southern Pacific and Union Pacific railroads have major rail facilities adjacent to the district.

Public Services

Police protection is provided by municipal police departments in portions of Pomona and West Covina, and by the Los Angeles County Sheriff's Department and the California Highway Patrol in the remainder of the district. The Los Angeles County Fire Department Station No. 120 is located on Grand Avenue in the heart of Diamond Bar.

Although there are no hospitals in the ID No. 3, the City of Pomona offers two general hospitals, Park Avenue Hospital with 54 beds and Pomona Valley Community Hospital with approximately 400 beds. Also, the Post Office Department recently enlarged its facilities to accommodate the growing population. Finally, in the majority of present residential sections and all future developments, utilities are underground.

0780

U.C. BERKELEY LIBRARIES



C123317998

INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY
109 PHILOSOPHY HALL
UNIVERSITY OF CALIFORNIA
BERKELEY, CA 94720

